Agricultural Equipment
South Africa

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Summary

The $171 million agricultural equipment market in South Africa is still dominated by three types of farm machinery (tractors, combines and balers) which is a reflection of the prevalent agricultural crops (maize, wheat, grain sorghum and other field crops). While eighty percent of all agricultural equipment is imported into South Africa, annual unit sales of the big three have only recently begun to increase after a twenty year decline from their early 1980's peak.

The Rand/Dollar exchange rate had a significant influence with the import of U.S. machinery; however despite extreme fluctuations within the exchange rate, the agriculture machinery market has remained buoyant. The recent strengthening of the South African Rand in the beginning of the second quarter of 2009 has placed the import of U.S. products in a favorable position. Positive regional economic development especially in Angola and Mozambique has also created significant international interest in these markets, with agriculture as one of the regional country's primary sector focus. South Africa is regarded as the gateway into Africa and is suitably situated within the region to assist and expand into these markets.

Changes in agricultural patterns in South Africa, including significant decreases in the acreage of arable land under cultivation in maize and wheat and the reallocation of land to previously disadvantaged communities have had a noticeable impact on the types and quantities of agricultural equipment being imported.

The market for higher-technology and higher powered equipment represents the greatest opportunity for U.S. exporters as relatively low volumes preclude local manufacture. Immerging farmers continue playing a significant role in the acquisition of new equipment. A significant part of the land has already been reallocated to previously disadvantaged communities, which creates opportunities for newer equipment, technologies and training.

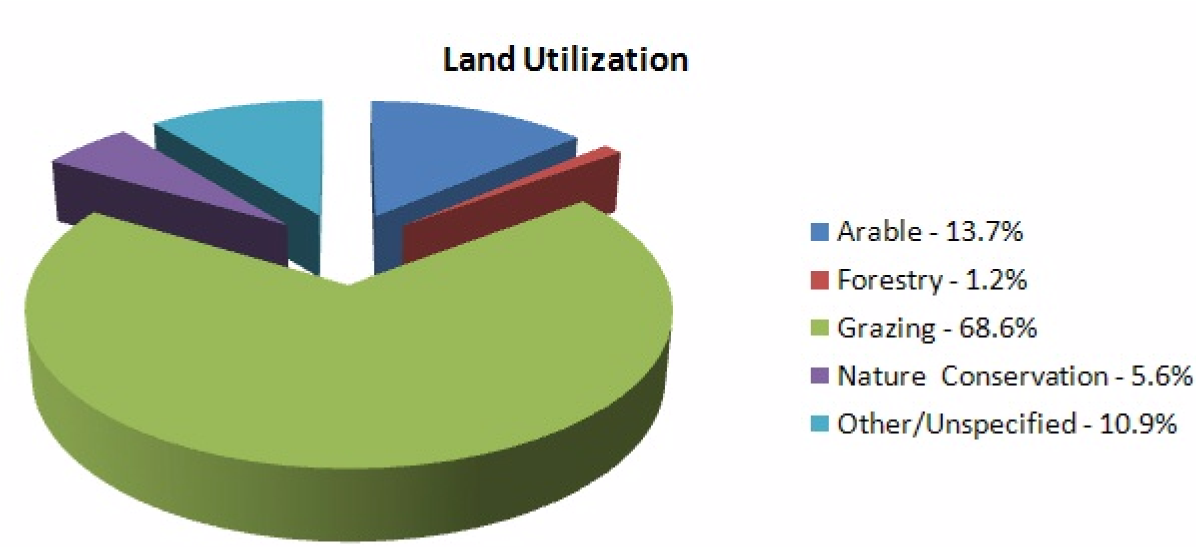
Market Overview

The South African agricultural equipment market is estimated at approximately US$171 million. Tractor sales constitute the sixty percent of the total agricultural equipment market followed by combine and baler sales. A significant number of specialized equipment and parts are also being sourced from international markets.

Although the contribution of agriculture to the GDP is small, its importance cannot be overstated. The agriculture sector provides employment for a million people and agro-industrial activity amounts to about 15% of GDP, with substantial growth potential. New land owners will also create further employment and income. Although 80% of South Africa's land is used for agriculture only 15% of that is arable with the rest being used for pastoral and other purposes.

The following diagram provides an overview of the land utilization.

Diagram 1.



Source: Department of Agriculture

South Africa grows a diverse crop range. Most of your smaller winter crops e.g. wheat, canola, and molting barley, are grown in the Western Cape's, Overberg area. Farm sizes average between 1100 to 1600 hectares. Excellent weather conditions also allows for grapes and deciduous fruits in the Cape Peninsula and Boland areas.

The Northern Cape Region is a very dry, semi desert part of the country but agriculture is sustained through the Orange River that runs through the entire region. Major crops include: corn, wheat, barley, potatoes, grapes for wine and raisins, and some other minor crops, they are also looking at doing soya beans. Dual cropping is common in some parts of this region. Isolated small-scale farming is still prevalent, however large-scale production farms varies from 500 to over 1000+ up to 2000 hectares. John Deere has a distributorship in this region.

The Free State Province is the largest supplier of corn. South Africa is self sufficient in corn production with a percentage of the crops being exported to other markets.

Compared to the rest of Africa, South Africa has by far the most modern, productive and diverse agricultural economy. It is a net exporter of agricultural and food products and is self sufficient in food products. The commercial agricultural sector in the previous apartheid government was almost exclusively white owned however the broad-based agriculture empowerment charter (AgriBEE) aims to boost land reforms and black ownership of farmland to 30% by 2014.

Additional goals include:

- A further 20% of agricultural land to be made available for black farmers
- 35% of agricultural enterprises for be under black ownership by 2008

- Farm workers to receive 10% of the land for their own farming
- An ambitious goal of total elimination of illiteracy in farming communities by 2008
- Local and International agricultural procurement to be 50% from black-owned by 2010.

Your conventional cooperatives structures has adopted a more business managed farming system which seems to be adding to their success in all the regions.

Agricultural Equipment Market % Segmentation

Equipment	Percentage Share
Tractors	58.9
Hay and silage equipment	11.6
Harvesting equipment	9.1
Planting, fertilizing, pest control equipment	7.8
Tillage equipment	4.5
Other	8.2
	100%

The recent strength of the Rand combined with low domestic interest rates has enabled South African farmers to replace aging equipment. The Agriculture machinery market continues to be buoyant despite a slump in sales since 2004 when sales of combine harvester's rose by 48%. Figures released by the South African Agriculture Machinery Association (SAAMA) indicate that tractor sales rose by 50 percent since 2000. Combine and Baler sales have also rose by a 50 percent compared with sales recorded in 2007.

Farm land allocation and redistribution to previously disadvantaged communities continues to be high on the agenda of the South African Government (SAG), with concerted efforts being made to address and eradicate past injustices. The government is also working to develop small-scale farming in efforts to boost job creation. While this will ultimately place more land in the hands of emerging farmers, the resulting agricultural operations will likely be smaller and will require time and training/assistance to reach their potential. However, the increase in numbers of farmers will represent an increased number of farming equipment purchasers as well.

As always, agricultural trends are greatly affected by weather and market realities. Rainfall continued to be sporadic throughout South Africa in 2008 and 2009 with some drought conditions reported throughout the country.

South Africa has good sunlight nationwide throughout the year, which allows for more controlled farming, particularly green house farming. This is creating a growing market for greenhouse sheeting and other related products.

Market Trends

When looking at the prospects for future agricultural equipment sales in South Africa, three important factors must be kept in mind. First, the area planted in summer crops stands currently at 3.9 million hectares. Second, the area planted in wheat has declined by about 50 percent since 1988, from an average of 1.9 million hectares to approximately 0.9 million hectares. Finally, the average power of new tractors sold in South Africa has increased from about 58 kW to 80 kW.

These three factors have all worked to reduce the overall demand for tractors, resulting in the lower unit sales in recent years. Beginning in 2000, tractor sales have shown an annual increase after a twenty year period of declining annual sales. Unit sales in 2,000 were 2,668 and in 2004 they were 5,280, however tractor sales since 2008 has shown an increase of over 15 percent compared to the previous year. However, most industry commentators now consider the annual “norm” for the South African market to be between 3,000 and 4,000 units. Comparable increases have occurred in the sale of combines and balers in the same period, although available data for 2008 indicates a significant increase from 2004 levels.

Tractor, Baler and Combine sales are also influenced on crop forecasts. These estimates are for conditions prevailing as at July 2005. These estimates are shown in table below.

Crop	2004/2005 000 tons -	2003/2004 000 tons	% Difference
Corn	12 358	9 710	27.3
Grain Sorghum	312	373	-16.4
Groundnuts	74	115	-35.3
Sunflower	664	648	2.5
Soya Beans	277	220	26.1
Dry Beans	70	80	-12.7

Competition

The total import market is estimated at US$137 million or approximately eighty percent of the overall South African agricultural equipment market.

U.S. manufacturers are well-entrenched in the South African market, particularly in the higher technology equipments. However, there is significant competition from western European manufacturers (primarily from the UK, Italy and Germany). Australian, Israeli, Canadian, Japanese and Brazilian manufacturers are also active.

Locally manufactured equipment is primarily lower end technology items or equipment designed for local conditions.

The major manufacturers and importers of agricultural equipment are represented in a national body, the South African Agricultural Machinery Association (SAAMA), with its national head quarters based in Johannesburg.

Sales Prospects

The short-term market for agricultural machinery is very good. Despite the current economic down-turn, farmers appear to be very upbeat about current agriculture conditions and the latter is clearly evident in the latest tractor, combine and baler sales statistics. Sporadic rains and prevalent dry weather conditions are still a concerning issue and presents excellent opportunities for no till planting equipment. Companies/Farmers have also indicated a strong interest in soil sampling equipment. With the continued downscaling of the elaborate high workforce, excellent opportunities are being presented for high-end navigational tractors and precision farming equipment.

Most of the precision agriculture equipment like planters and combine harvester's are primarily imported from the U.S. and smaller implements are purchased locally. Known U.S. brands like McCormick, John Deere, New Holland, are well entrenched in this market.

The latest local buzz word is "regional expansion" with excellent opportunities being created in regional countries e.g. Angola and Mozambique, this presents further opportunities for U.S. business.

Market Access

There are currently no import duties levied on items that are not manufactured locally, items such as ploughs (HS code 84.32.10), planters (HS code 84.32.30), and fertilizer distributors (HS code 84 32.40). These also include tractors, balers and combine harvesters. However, an average of 15 percent duty is charged on imports that compete with in-country manufactured goods.

Trade Shows

The following agricultural shows and farmers' days represent the industry. (Please note that dates for these events may change every year.)

Show:	Gardenex
Focus:	Garden & Flower show, horticulture, Agriculture and Gardening Industries
Dates:	April
Venue:	The Coca Cola Dome in Johannesburg
Organizers:	Simon Robinson

Show:	NAMPO Week
Focus:	The major show for the maize and general farming industry:
Dates:	First week of May
Venue:	Bothaville in the North West Province
Organizers:	NAMPO (Mr. Johan Loxton)

Show:	AfriWater

Focus: Water, waste & environmental products & services including: actuators, chemical dosing & usage, filters, environmental pipes & fittings, irrigation, monitoring pumps
Dates: First week of August
Venue: Sandton Convention Center in Johannesburg
Organizers: Exhibitions for Africa

Show: The Royal Show
Focus: Agriculture machinery and equipment, agricultural live stock, crafts and home Industry
Dates: Last week of May – First week of June
Venue: Pietermaritzburg, Kwazulu Natal

Show: Bloem Show
Focus: Agriculture Machinery, equipment, live stock, crafts and home industry
Dates: April
Venue: Bloemfontein

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